

**HIGHER EDUCATION: ANSWERS TO FREQUENTLY ASKED QUESTIONS**

## **How Will the California Dream Act Affect Higher Education Costs?**

**The Dream Act of 2011 permits some nonresident college students—including some undocumented students—to receive nonfederal financial aid.**

- A decade prior to the Dream Act, the Legislature adopted Chapter 814, Statutes of 2001 (AB 540, Firebaugh), which exempts students who are not legal residents of California from having to pay nonresident tuition at the state's public colleges and universities if they (1) attended California high schools for at least three years, and (2) graduated from a California high school. Students who meet these criteria may be legal residents of other states or undocumented immigrants to California.
- The Dream Act allows these "AB 540" students to receive specified state- and campus-administered financial aid.

**The Dream Act affects public and private financial aid.**

- Chapter 93 (AB 130, Cedillo) makes AB 540 students eligible to receive *privately funded* scholarships from the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC), effective January 1, 2012.
- Chapter 604 (AB 131, Cedillo) makes AB 540 students eligible to receive *publicly funded* financial aid, including state aid and campus-based aid at the universities and community colleges. These provisions go into effect January 1, 2013.
- The main publicly funded programs affected by AB 131 are the statewide Cal Grant programs, as well as campus-based "institutional" aid programs, which include the UC Grant program, the State University Grant program, and CCC's Board of Governors Fee Waiver program.
- The California Dream Act does not affect federal financial aid (such as Pell Grants). The federal government restricts its financial aid to legal U.S. residents.

## How Will the California Dream Act Affect Higher Education Costs? *(Continued)*

**Expanded eligibility for financial aid programs is estimated to cost about \$65 million in state funding once fully implemented.**

- The CCC Chancellor's Office estimates its fee waiver program would incur annual costs of up to \$15 million, depending on the percentage of AB 540 students that demonstrate financial need.
- The California Student Aid Commission (CSAC) estimates that the Cal Grant entitlement program will incur annual additional costs of about \$13 million in the first year, again depending on actual participation rates. We estimate these costs will total about \$50 million by 2016-17, when the fourth annual cohort of students becomes eligible. In subsequent years participation will level off and costs will increase with tuition under current policies.
- The CSAC further estimates that it will incur up-front costs of about \$700,000 and ongoing annual costs of about \$250,000 to administer the Dream Act.

**Despite intent, some resident students could be affected as well.**

- AB 131 requires that the number of institutional aid awards to resident students not be diminished as a result of expanding eligibility to nonresident students. However, UC and CSU estimate that several thousand AB 540 students could qualify for over \$10 million in annual institutional aid awards. If the number of awards to resident students were not reduced, providing awards to AB 540 students would require either reducing the amount of awards to resident students, or seeking additional funding from other sources. Traditionally, institutional aid has been funded primarily out of student tuition revenue.
- AB 131 also stipulates that AB 540 students cannot receive Cal Grant *competitive* awards (distinct from *entitlement* awards) if they would displace any resident students from the program. There is a limited pool of 22,500 new competitive awards each year, with several times that number of eligible applicants.